

STANFORD UNIVERSITY
Department of Economics

ECONOMICS 50

FALL 2008

Economics Analysis I

Instructor: Professor Ran Abramitzky
Office: Economics 232
Email: ranabr@stanford.edu
Office Hours: Mon 9:00-10:30am
Wed 9:00-10:30am

Teaching Assistants: Isabelle Sin isabelle.sin@gmail.com, sessions TBA
Scott Nicholson swn@stanford.edu, sessions TBA
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Nadeem Karmali nadeem.karmali@gmail.com, sessions TBA.

TAs Office Hours: TBA

Grading:

| | |
|--------------|-----|
| Problem Sets | 20% |
| Midterm Exam | 35% |
| Final Exam | 45% |

Required Text: Besanko, David and Braeutigam, Ronald R. Microeconomics, Second Edition, Wiley, 2005.

Course Description: Microeconomics is the study of how individuals and firms make decisions in a world of scarcity and how these decisions affect markets. We will deal with important questions such as how do people decide what goods to buy? How do firms decide how much to produce and how many workers to hire? Why do some industries grow while others decline? Is monopoly power harmful? Is government regulation harmful? The objective of this course is to equip you with a set of concepts and analytical tools that will help you answer these and other important economic questions.

We will focus on the analysis of consumer and producer choices in market economies and on the nature of equilibria in competitive and monopolistic markets. The course starts with revisiting in a more mathematical way the basic supply and demand model that you should be familiar with from Econ 1. We will then use the competitive model to analyze common economic problems and phenomena, such as the impact of tax, subsidies, price ceiling and price floors. The course then “looks behind” the demand and supply curves to understand where they come from and the properties that they have. We initially look at the theory of individual consumer choice and the derivation of individual and market demand curves. We then look at the theory of individual firm choice and present an analysis of the economics of production and the derivation of cost functions and supply curves. Market equilibrium concepts will then be discussed as they apply to markets characterized by perfect competition and monopoly.

Econ 50 is the first of the department’s undergraduate “core” curriculum (Econ 50-51-52). The course is the foundation for all of the microeconomics-oriented

intermediate and advanced courses offered by the economics department. Thus, much of the course will be devoted to building mathematical tools that will serve you in your future studies of economics. However, the course is an economic, rather than a mathematic, course and we will devote much attention to the economic motivation and intuition behind the math.

I will do my best to make the course interesting, useful and rewarding to you. However, for many of you this will not be an easy course. We will cover a lot of material in a rapid pace and the analysis will be more mathematically rigorous compared to the economic courses you have taken so far. This means that this course is not suitable for pulling all-nighters just prior to examination. A better strategy is to study continuously, practice at solving problems and make sure you keep up by making extensive use of office hours, classes and section meetings. Please do not hesitate to come to us at the first sign of trouble.

Prerequisites: Econ 1 plus Math51 must be completed before you enroll in Econ 50 (Axess will not allow you to enroll otherwise). There are no exceptions for these prerequisites. For more information on prerequisites, please contact Carol M. Schwan [cschwan@stanford.edu] at the office for undergraduate studies at the economics department.

Course Organization: Lectures will be held in CubAud, Tuesdays and Thursdays from 1:15pm to 3:05pm. At the end of each week, you will attend a 50-minute section with your teaching assistant. These sections will be used to expand on ideas presented in the lectures and to discuss assigned and graded problem sets and exams. We will make frequent use of our coursework website, so please register and choose a section at <http://coursework.stanford.edu> as soon as possible. All problem sets, answer keys and handouts will be available on coursework.

Course coordinator: Please contact (in writing) the course administrator Kelly Carson [carson@stanford.edu] if you have any administrative concern (e.g. if you must be out of town on the due date of a homework assignment or exam, if you become ill, if you discover an obvious error in grading, etc.). Kelly will discuss your request with the head TA, who will get back to you.

Problem sets: Problem sets constitute a major part of the course grade (20%), and an even larger part of your learning. Please take the problem sets seriously: Econ 50 is a learning-by-doing course and solving problem sets will be a good preparation for the exams. I encourage you to work in groups on these problem sets, but the final submission should be your own work. Problem sets will be submitted in section. No late problem sets will be accepted. Because I am human, I will drop your lowest problem set score.

Midterm and Final Exams: There will be one midterm exam during class on Thursday, November 6; the final exam will be on Wednesday, December 10, from 7:00pm to 10:00pm. There will be no make-up exams, and no early or late sittings for exams.

Students with documented disabilities: students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class must initiate a request with the Student Disability Resource Center (SDRC). The SDRC will evaluate the request along with the required documentation, recommend appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. Please contact the SDRC as soon as possible; timely notice is needed to arrange for appropriate accommodations. The SDRC is located at 563 Salvatierra Walk (phone 723-1066 Voice; 725-1067 TTY; <http://www.stanford.edu/group/DRC/>).

Economics Department Common Course Policies: All courses taught in the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is included on our coursework website, and on the Economics Department website at <http://www-econ.stanford.edu/academics/courses.html>. Please be sure to read this document in its entirety, and contact Professor Cojoc or me if you have any questions.

Listed below are the topics covered in the course.

| Date | Subject | Readings (Besanko & Braeutigam) |
|---------------|---|--|
| Tue 9/23 | Introduction to microeconomics; course overview | Chapter 1 |
| Thu 9/25 | Supply and demand analysis; elasticities | Chapters 1-2 |
| Tue 9/30 | Interventions in competitive market outcomes | Chapter 10 |
| Thu 10/2 | Preferences, indifference curves, and utility functions | Chapter 3 |
| Tue 10/7 | Preferences, indifference curves, and utility functions | Chapter 3 |
| Thu 10/9 | <i>No class (Yom Kippur)</i> | |
| Tue 10/14 | Budget constraints; optimal consumer choice | Chapter 4 |
| Thu 10/16 | Optimal choice applications; revealed preference | Chapter 4 |
| Tue 10/21 | Optimal choice, demand, and demand curves | Chapter 5 |
| Thu 10/23 | Further applications of consumer theory | Chapter 5 |
| Tue 10/28 | Introduction to producer theory | Chapter 6 |
| Thu 10/30 | Costs and cost minimization | Chapter 7 |
| Tue 11/4 | Costs and cost minimization, further applications | Chapter 7 |
| Tue 10/28 | Review | |
| Thu 11/06 | <i>Midterm Exam (in class)</i> | |
| Tue 11/11 | Costs and cost minimization, further applications | Chapter 8 |
| Thu 11/13 | Profit maximization | Chapter 9 |
| Tue 11/18 | Market supply | Chapter 9 |
| Thu 11/20 | Welfare analysis; monopoly | Chapters 10-11 |
| T Th 11/25,27 | <i>No classes (Thanksgiving)</i> | |
| Thu 12/2 | Monopoly and monopsony | Chapter 11 |
| Thu 12/4 | Review | |
| Wed 12/10 | <i>Final Exam (7:00pm-10:00pm)</i> | |